

predictions about selling outside Bell Atlantic's existing local service area. Despite geographic proximity and significant brand awareness, Bell Atlantic gained a paltry 0.1% of the long distance market in North Carolina – not an attractive base for a CLEC strategy. This is key, because the previous analysis assumed that CLEC operations would be undertaken only if they were preceded by a successful long distance offering.

11. Bell Atlantic's current strategy incorporates the lessons learned from these disappointing results. Once Bell Atlantic obtains section 271 relief, its long distance strategy is to focus on selling to its existing in-territory customers with whom it has an existing relationship. Bell Atlantic does plan to offer long distance to anyone in-state who wants it, and there no doubt will be some limited spill-over into GTE territories. But this limited spill-over would not be a driver for a CLEC effort.

12. Second, GTE's territory does not contain sufficient concentrations of business customers which would form the cornerstone of any CLEC strategy. Every other successful CLEC of which I am aware – MFS, Winstar, TCG and many others – started out by cherry-picking business customers who would have sufficient revenues to justify large capital investments. GTE's Virginia territory does not contain even one headquarters of a Fortune 1000 company. The percentage of business lines in GTE's territory – 26% – is low compared to the percentage in Bell Atlantic's Virginia territory – 35%. The only conceivable opportunities in GTE territory are limited to companies headquartered in Bell Atlantic territory but with a plant or two in GTE territory; a few smaller companies; and governmental bodies like airports, jails and city or county office buildings. These opportunities would not support a wide-scale CLEC strategy in GTE territory.

13. Third, these limitations are reflected in Bell Atlantic's actions since the 1996 Act was passed. If entry into GTE's territories was attractive, Bell Atlantic could have pursued that opportunity over the last two years. It has not. Instead, we have pursued only extremely limited opportunities, to the extent permitted to a non-certificated carrier. For example, we provide some services at Dulles International Airport, which lies on the border of Bell Atlantic and GTE's territories in Northern Virginia. Bell Atlantic operates pay telephones at Dulles. It won this contract in competition with GTE and Sprint. Bell Atlantic resells GTE's transport services and provides only the payphone services themselves. In addition, the Washington Metropolitan Airport Authority currently is reviewing a proposal by Bell Atlantic to provide SONET-based services to Dulles Airport. The Authority currently leases a "shed" from Bell Atlantic at Horsepen Road. The Authority owns private fiber from the shed to Dulles Airport. Bell Atlantic would install SONET facilities to terminate in the shed, and the Authority would carry the traffic to Dulles. Bell Atlantic has calculated that this arrangement would displace 5 or more primary rate interfaces (PRIs) from GTE, a negligible fraction of the overall number of PRIs in Bell Atlantic's Virginia operations and presumably GTE's. Finally, Bell Atlantic provides the Airport Communications System ("BAFIS") for Dulles. Essentially this is a system of private switches that serves the airport's internal telecommunications needs.

14. In another case, Cox Communications, a cable company that has an extensive fiber network that reaches many city facilities in Virginia Beach, met with Bell Atlantic in August of this year to discuss a possible alliance to serve the city offices in GTE's territory. Bell Atlantic, however, has not agreed to pursue this possibility.

15. Fourth, there appear to be much more tempting potential targets other than GTE for a Bell Atlantic out-of-region CLEC operation. It is my understanding that Bell Atlantic will compete with SBC and BellSouth once it merges with GTE. The targeted areas in these territories are more urban and have much higher concentrations of business customers than GTE's Virginia territory. Given limited resources, large-scale entry into GTE's Virginia territories does not make sense on its own merits, and makes even less in light of other opportunities.

16. Finally, I doubt that Bell Atlantic, as the largest carrier in the state, would be permitted to simply cherry-pick the most lucrative customers of the smaller telephone companies elsewhere in the state. To the contrary, I expect that we would be saddled with more onerous requirements to serve a large customer base, making the economics of providing competing local service unattractive.

All of GTE's Customers and Competitors Will Benefit Now from the Merger

17. Competition to Bell Atlantic. Bell Atlantic faces rapidly increasing competition in Virginia, but GTE is not even on the radar screen in terms of perceived potential additional competition.

18. Competitors use three paths of entry into the local market – the construction of new networks, the use of unbundled elements of the incumbent's network, and resale. CLECs are aggressively using all three entry paths to challenge Bell Atlantic in Virginia.

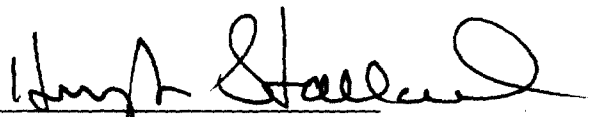
- Bell Atlantic has entered into 31 interconnection agreements in Virginia.
- Bell Atlantic has entered into 31 resale agreements in Virginia. As of July 1998, CLECs were reselling nearly 11,000 Bell Atlantic lines in Virginia.

- Bell Atlantic has provided roughly 4,000 ported numbers to competitors in Virginia. (A ported number generally indicates that the customer is served by a competitor's switch.)
- Bell Atlantic has provided 15,000 interconnection trunks in Virginia that enable it to exchange traffic with competitors.
- Bell Atlantic estimates 40,000 CLEC provided, facilities-based lines are in Virginia.

19. GTE As a Potential Competitor to Bell Atlantic. Prior to GTE's withdrawal of its application for certification, GTE and Bell Atlantic signed an interconnection agreement in Virginia. It was one of 31 competitors to have done so. But unlike the 22 other companies that actually have entered the market, GTE never took any further steps to compete. To the contrary, all it did was sign an interconnection agreement virtually identical to an agreement negotiated between Bell Atlantic and another carrier.

20. I am not aware of anyone at Bell Atlantic who has perceived GTE as a serious potential competitor, particularly compared to the many well-run and well-capitalized companies that already are actual competitors. Those competitors include AT&T/Teleport, WorldCom/MCI/MFS, Sprint, and cable companies like Cox in the Tidewater area and Jones Intercable in Northern Virginia. Had GTE chosen to do more than sign an interconnection agreement, its entry would have been insignificant to existing actual competition.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.



Hugh R. Stallard

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC

In the matter of)	
)	
GTE CORPORATION,)	
Transferor,)	File No.
)	
and)	
)	
BELL ATLANTIC CORPORATION,)	
Transferee.)	
)	
For Consent to Transfer of Control)	

Declaration of Daniel J. Whelan

1. My name is Daniel J. Whelan. I am the President and CEO of Bell Atlantic - Pennsylvania, Inc. ("Bell Atlantic"). I have held that position since March 1, 1997. In my position, I oversee all aspects of Bell Atlantic's business within Pennsylvania, including regulatory, financial and operational matters. I am also responsible for monitoring the competitive environment and business opportunities for local exchange service within the state.

The Pennsylvania Market for Local Telephone Service – Overview

2. Both Bell Atlantic and GTE are franchised incumbent local exchange carriers in Pennsylvania that operate in separate, non-overlapping local service areas. Bell Atlantic provides local exchange service to a majority of the state's population but serves only 40% of its geographic area. GTE is one of thirty-five independent telephone companies that operate in Pennsylvania, and serves approximately 660,000 access lines. Over one hundred companies have applied for CLEC status in the state, and fifty-four have been certified. Bell Atlantic has neither filed for CLEC status in the state, nor has it attempted to compete for local service

business within GTE's service area. Similarly, GTE is not a significant competitor, or even a perceived significant potential competitor, in Bell Atlantic's service area.

Potential Or Actual Bell Atlantic Competition With GTE

3. I am not aware of, nor do I believe there would be, any plan or strategy for Bell Atlantic to compete for local exchange service in GTE's territory in the foreseeable future. I am not aware of any Bell Atlantic study or analysis initiated since the time of the NYNEX merger regarding the provision of local exchange service within GTE's territory in Pennsylvania. Prior to passage of the Telecommunications Act of 1996, York and Erie, two sites within GTE's Pennsylvania territory, were considered as possible areas to provide local service as an adjunct to the launch of long distance service in non-Bell Atlantic service areas in the state. This analysis was undertaken at a time when we thought the 1996 Act would permit us to provide long distance service in Pennsylvania outside of our local service territory. That project died with the enactment of the 1996 Act, however. The Act as passed defined all of Pennsylvania -- including GTE's territory -- as "in-region" for purpose of the long-distance prohibition, and thus caused Bell Atlantic to look elsewhere to offer long distance service. No further consideration of offering local service in GTE's Pennsylvania territory has been studied or considered by Bell Atlantic since then.

GTE's Pennsylvania Territory Would Not Be A Priority For Local Exchange Competition

4. I also can state with confidence that Bell Atlantic is not likely to renew any previous consideration of entering GTE's Pennsylvania territory to compete for local service. GTE's local service territories in Pennsylvania would not be attractive targets from a service or profitability standpoint. GTE's Pennsylvania territories do not contain any attractive

concentrations of business or residential customers which would be required to sustain a profitable CLEC business strategy. Obviously, these territories would not support any large-scale CLEC entry strategy in those areas due to the unfavorable economics of such entry, and no such entry is likely to be considered. In addition, when Bell Atlantic previously considered providing service in some GTE service areas, that analysis assumed that it would offer a competing local service only if was preceded by a successful long distance offering in those areas. But the long distance service that Bell Atlantic has offered in close by states outside its region since the Act was passed has been anything but successful.

5. The unfavorable economics associated with wide-scale local service entry leaves only the cream-skimming of large, lucrative business customers as an opportunity worth considering. I believe it is highly unlikely, however, that Bell Atlantic would be permitted to offer competitive local service in Pennsylvania on a basis which would allow it to cream-skim the largest and best customers of smaller local telephone companies. No other CLEC has been afforded such entry, and it is virtually unthinkable that state regulators would allow the state's largest local carrier to do so.

6. Additionally, Bell Atlantic's focus once it obtains in-region long-distance relief for Pennsylvania will be on sales and marketing efforts to its in-region customers, with whom it has existing relationships, and who therefore should be its most attractive customers. Out-of-region customers, such as those in GTE's Pennsylvania territories, will not be actively targeted or marketed to for long distance or local service bundled packages. While it is recognized that state-wide media advertising may well generate some limited "spill-over" long distance subscriptions from GTE service territories (even though customers in those areas will not be targeted for marketing), there is no consideration of marketing to that small niche of customers

for any form of local service or any bundled service package. The economics associated with the service, marketing, quality assurance and provisioning of that small, random and disperse customer segment would be unfavorable, and would not support a reasonable business plan for entry into such a service market.

GTE's Competitive Activities Within Bell Atlantic's Pennsylvania Region

7. GTE is not a significant competitor in Bell Atlantic's region. While GTE has negotiated an interconnection agreement for Pennsylvania, GTE has taken no steps to actively initiate such competition. Moreover, competition in Bell Atlantic's service territory is already robust without GTE. There are currently over 100 CLECs in Pennsylvania that have either applied for CLEC status or been certified. Twenty-nine facilities-based carriers have negotiated interconnection agreements with Bell Atlantic. As of July 1998, various CLECs in Pennsylvania served approximately 76,000 in-region lines through resale agreements with Bell Atlantic. Over 20,000 unbundled loops have been leased from Bell Atlantic by competitors, meaning those competitors can enter the market by simply installing switches where desired. Bell Atlantic has furnished roughly 21,000 ported numbers. Finally, facilities-based CLECs are providing approximately 145,000 lines in Pennsylvania, according to our best estimate derived from exchanged minutes-of-use.

8. As these facts demonstrate, GTE's entry into local exchange competition in Bell Atlantic's service area would be essentially irrelevant to existing actual and potential competition in the local service market. I do not perceive GTE to be a significant potential competitor in Bell Atlantic's region, nor do I believe that GTE's entry into that market would have any cognizable effect on the competition already in existence in that market.

I, Daniel J. Whelan, hereby declare under penalty of perjury under the laws of the United States that the above is true and correct to the best of my knowledge and belief.

A handwritten signature in black ink, reading "Daniel J. Whelan". The signature is written in a cursive style with a large, stylized "D" and "W".

Daniel J. Whelan

B

**AGREEMENT AND PLAN
OF MERGER
DATED AS OF
JULY 27, 1998
AMONG
BELL ATLANTIC CORPORATION,
BETA GAMMA CORPORATION
AND
GTE CORPORATION**

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of July 27, 1998 ("the date hereof"), is entered into by and among Bell Atlantic Corporation, a Delaware corporation ("Bell Atlantic"), Beta Gamma Corporation, a New York corporation and a wholly owned subsidiary of Bell Atlantic ("Merger Subsidiary"), and GTE Corporation, a New York corporation ("GTE").

WHEREAS, the Board of Directors of each of Bell Atlantic, Merger Subsidiary and GTE has determined that it is in the best interests of its stockholders that Bell Atlantic and GTE enter into a business combination under which a subsidiary of Bell Atlantic will merge with and into GTE pursuant to the Merger (as defined in Section 1.1 hereof) and Bell Atlantic and GTE desire to enter into the "merger of equals" transaction contemplated hereby, and, in connection therewith, to make certain representations, warranties and agreements;

WHEREAS, as a condition to, and immediately after, the execution of this Agreement, and as a condition to the execution of the Bell Atlantic Option Agreement (as defined below), GTE and Bell Atlantic are entering into a stock option agreement (the "GTE Option Agreement") in the form attached hereto as Exhibit A;

WHEREAS, as a condition to, and immediately after, the execution of this Agreement, and as a condition to the execution of the GTE Option Agreement, GTE and Bell Atlantic are entering into a stock option agreement (the "Bell Atlantic Option Agreement", and together with the GTE Option Agreement, the "Option Agreements") in the form attached hereto as Exhibit B;

WHEREAS, the Board of Directors of each of Bell Atlantic, Merger Subsidiary and GTE has determined that the Merger and the other transactions contemplated hereby are consistent with, and in furtherance of, its business strategies and goals and has approved the Merger upon the terms and conditions set forth herein;

WHEREAS, for federal income tax purposes, it is intended that the Merger shall constitute a tax-free reorganization under Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, for accounting purposes, it is intended that the Merger shall be accounted for as a pooling of interests under United States generally accepted accounting principles ("GAAP");

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I — THE MERGER

SECTION 1.1 — *The Merger*. At the Effective Time (as defined in Section 1.2 hereof) and subject to and upon the terms and conditions of this Agreement and the New York Business Corporation Law ("NYBCL"), Merger Subsidiary will be merged with and into GTE (the "Merger"), whereby the separate corporate existence of Merger Subsidiary shall cease and GTE shall continue as the surviving corporation which shall be a wholly-owned subsidiary of Bell Atlantic. GTE as the surviving corporation after the Merger is herein sometimes referred to as the "Surviving Corporation" and Merger Subsidiary as the non-surviving corporation after the Merger is herein sometimes referred to as the "Merged Corporation." GTE, Bell Atlantic and Merger Subsidiary are herein referred to collectively as the "Parties" and each individually as a "Party."

SECTION 1.2 — *Effective Time*. As promptly as practicable after the satisfaction or waiver of the conditions set forth in Article VIII hereof and the consummation of the Closing referred to in Section 7.2(b) hereof, the Parties shall cause the Merger to be consummated by filing a Certificate of Merger with the Secretary of State of the State of New York with respect to the Merger, in such form as required by, and executed in accordance with, the relevant provisions of the NYBCL (the time of such filing being the "Effective Time").

SECTION 1.3 — *Effect of the Merger*. At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the NYBCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of GTE and Merger Subsidiary shall continue with, or vest in, as the case may be, GTE as the Surviving Corporation, and all debts, liabilities and duties of GTE and Merger Subsidiary shall continue to be, or become, as the case may be, the debts, liabilities and duties of GTE as the Surviving Corporation. As of the Effective Time, the Surviving Corporation shall be a direct wholly-owned subsidiary of Bell Atlantic.

SECTION 1.4 — *Subsequent Actions*. If at any time after the Effective Time the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to continue in, vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties, privileges, franchises or assets of either of its constituent corporations acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the officers and directors of the Surviving Corporation shall be directed and authorized to execute and deliver, in the name and on behalf of either of such constituent corporations, all such deeds, bills of

sale, assignments and assurances and to take and do, in the name and on behalf of each of such corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties, privileges, franchises or assets in the Surviving Corporation or otherwise to carry out this Agreement.

SECTION 1.5 — *Certificate of Incorporation; Bylaws; Directors and Officers of Surviving Corporation.* Unless otherwise agreed by GTE and Bell Atlantic before the Effective Time, at the Effective Time:

(a) the Certificate of Incorporation of GTE as the Surviving Corporation shall be the Certificate of Incorporation of GTE as in effect immediately prior to the Effective Time, until thereafter amended as provided by law and such Certificate of Incorporation;

(b) the Bylaws of GTE as the Surviving Corporation shall be the Bylaws of GTE immediately prior to the Effective Time, until thereafter amended as provided by law and the Certificate of Incorporation and the Bylaws of such Surviving Corporation; and

(c) the directors and officers of GTE immediately prior to the Effective Time shall continue to serve in their respective offices of the Surviving Corporation from and after the Effective Time, in each case until their successors are elected or appointed and qualified or until their resignation or removal. If at the Effective Time a vacancy shall exist on the Board of Directors or in any office of the Surviving Corporation, such vacancy may thereafter be filled in the manner provided by law and the Bylaws of the Surviving Corporation.

ARTICLE II — EFFECT ON STOCK OF THE SURVIVING CORPORATION AND THE MERGED CORPORATION

SECTION 2.1 — *Conversion of Securities.* The manner and basis of converting the shares of common stock of the Surviving Corporation and of the Merged Corporation at the Effective Time, by virtue of the Merger and without any action on the part of any of the Parties or the holder of any of such securities, shall be as hereinafter set forth in this Article II.

SECTION 2.2 — *Conversion of Shares.* (a) Subject to Section 2.7, each share of common stock, par value \$0.05 per share, of GTE ("GTE Common Stock") issued and outstanding immediately before the Effective Time (excluding those cancelled pursuant to Section 2.3) and all rights in respect thereof, shall at the Effective Time, without any action on the part of any holder thereof, be converted into and become 1.22 shares of common stock, par value \$0.10 per share, of Bell Atlantic ("Bell Atlantic Common Stock"). Such ratio of GTE Common Stock to Bell Atlantic Common Stock is herein referred to as the "Exchange Ratio."

(b) As of the Effective Time, all shares of GTE Common Stock converted pursuant to Section 2.2(a) shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate (each, an "Old Certificate") representing any such shares of GTE Common Stock shall cease to have any rights with respect thereto, except the right to receive shares of Bell Atlantic Common Stock, in accordance with Section 2.2(a), certain dividends or other distributions in accordance with Section 2.5(b) and any cash in lieu of fractional shares of Bell Atlantic Common Stock to be issued or paid in consideration therefor upon surrender of such certificate in accordance with Section 2.5, without interest.

(c) For all purposes of this Agreement, unless otherwise specified, each share of GTE Common Stock held by employee stock ownership plans of GTE (i) shall be deemed to be issued and outstanding, (ii) shall not be deemed to be held in the treasury of GTE and (iii) shall be converted into shares of Bell Atlantic Common Stock in accordance with the Exchange Ratio.

SECTION 2.3 — *Cancellation of Treasury Shares and Bell Atlantic-owned Shares.* At the Effective Time, each share of GTE Common Stock held in the treasury of GTE or owned by Bell Atlantic immediately prior to the Effective Time shall be cancelled and retired and no shares of stock or other securities of Bell Atlantic or the Surviving Corporation shall be issuable, and no payment or other consideration shall be made, with respect thereto.

SECTION 2.4 — *Conversion of Common Stock of the Merged Corporation into Common Stock of the Surviving Corporation.* At the Effective Time, each share of common stock of Merger Subsidiary issued and outstanding immediately prior to the Effective Time, and all rights in respect thereof, shall, without any action on the part of Bell Atlantic, forthwith cease to exist and be converted into 1,000 validly issued, fully paid and nonassessable shares of common stock, par value \$0.05 per share, of the Surviving Corporation (the "Surviving Corporation Common Stock"). Immediately after the Effective Time and upon surrender by Bell Atlantic of the certificate representing the shares of the common stock of Merger Subsidiary, GTE as the Surviving Corporation shall deliver to Bell Atlantic an appropriate certificate or certificates representing the Surviving Corporation Common Stock created by conversion of the common stock of Merger Subsidiary owned by Bell Atlantic.

SECTION 2.5 — *Exchange Procedures.* (a) Subject to the terms and conditions hereof, at or prior to the Effective Time Bell Atlantic and GTE shall jointly appoint an exchange agent (the "Exchange Agent") to effect the exchange of Old Certificates for Bell Atlantic Common Stock in accordance with the provisions of this Article II. At the Effective Time, Bell Atlantic shall deposit, or cause to be deposited, with the Exchange Agent certificates representing Bell Atlantic Common Stock for exchange for Old Certificates in accordance with the provisions of Section 2.2 hereof (such certificates, together with any dividends or distributions with

respect thereto, being herein referred to as the "Exchange Fund"). Commencing immediately after the Effective Time and until the appointment of the Exchange Agent shall be terminated, each holder of an Old Certificate may surrender the same to the Exchange Agent, and, after the appointment of the Exchange Agent shall be terminated, any such holder may surrender any such certificate to Bell Atlantic. Such holder shall be entitled upon such surrender to receive in exchange therefor a certificate or certificates representing the number of whole shares of Bell Atlantic Common Stock such holder has a right to receive in accordance with Section 2.2 hereof, certain dividends or other distributions in accordance with Section 2.5(b) hereof, and a cash payment in lieu of fractional shares, if any, in accordance with Section 2.7 hereof, and such Old Certificate shall forthwith be cancelled. The whole shares of Bell Atlantic Common Stock to be delivered to such holder shall be delivered in book entry form, unless such holder shall timely elect in writing to receive the certificates representing such shares.

Unless and until any such Old Certificate is so surrendered, and except as may be determined by Bell Atlantic for a period not to exceed six months after the Effective Time, no dividend or other distribution, if any, payable to the holders of record of Bell Atlantic Common Stock as of any date subsequent to the Effective Time shall be paid to the holder of such certificate in respect thereof. Except as otherwise provided in Section 2.6 hereof, upon the surrender of any such Old Certificate, however, the record holder of the certificate or certificates representing shares of Bell Atlantic Common Stock issued in exchange therefor shall receive from the Exchange Agent or from Bell Atlantic, as the case may be, payment of the amount of dividends and other distributions, if any, which as of any date subsequent to the Effective Time and until such surrender shall have become payable and were not paid with respect to such number of shares of Bell Atlantic Common Stock ("Pre-Surrender Dividends"). No interest shall be payable with respect to the payment of Pre-Surrender Dividends upon the surrender of Old Certificates. After the appointment of the Exchange Agent shall have been terminated, any holders of Old Certificates which have not received payment of Pre-Surrender Dividends shall look only to Bell Atlantic for payment thereof. Notwithstanding the foregoing provisions of this Section 2.5 (b), neither the Exchange Agent nor any Party shall be liable to a holder of an Old Certificate for any Bell Atlantic Common Stock, any dividends or distributions thereon or any cash payment for fractional shares as contemplated by Section 2.7, delivered to a public official pursuant to any applicable abandoned property, escheat or similar law or to a transferee pursuant to Section 2.6 hereof.

(b) Notwithstanding anything herein to the contrary, certificates surrendered for exchange by any "affiliate" of GTE shall not be exchanged until Bell Atlantic shall have received a signed agreement from such "affiliate" as provided in Section 7.14 hereof.

SECTION 2.6 — *Transfer Books.* The stock transfer books of GTE shall be closed at the Effective Time and no transfer of any shares of GTE Common Stock will thereafter be recorded on any of such stock transfer books. In the event of a transfer of ownership of GTE